
Deferred Payments Scheme

This leaflet tells you about deferring the cost of your home when you enter residential or nursing care

The Deferred Payments Scheme is designed to help you if you have been assessed as having to pay the full cost of your residential care – but cannot afford to pay the full weekly charge because most of your capital is tied up in your home.

Effectively the scheme offers you a loan from The London Borough of Hackney using your home as security. It doesn't work in exactly the same way as a conventional loan – the Local Authority doesn't give you a fixed sum of money when you join the scheme, but pays an agreed part of your weekly care and support bill for as long as is necessary.

You will pay a weekly contribution towards your care that you have been assessed as being able to pay from your income and other savings. The Council pays the part of your weekly charge that you can't afford until the value of your home is realised.

The part the Council pays is your 'Deferred Payment'.

The deferred payment builds up as a debt – which is cleared when the money tied up in your home is released. For many people this will be done by selling their home, either immediately or later on. You can also pay the debt back from another source if you want to.

However, you do not have to sell your home if you don't want to – you may, for example, decide to keep your home for the rest of your life and repay out of your estate, or you may want to rent it out to generate income. If you do this, you will be expected to use the rental income

to increase the amount you pay each week, thus reducing the weekly payments made by the Council, and minimising the eventual deferred payment debt.

Charging Interest

The loan will have interest charged on it in the same way a normal loan would be charged on money borrowed from a bank. The maximum interest rate that will be charged is fixed by the government. Currently the maximum rate to be charged is based on the cost of government borrowing, and will change on 1st January and 1st July every year. Hackney charges the maximum interest rate. This interest will be compounded on a daily basis.

The interest will apply from the day you enter into the Deferred Payment Scheme.

You will receive regular statements quarterly advising you how your charge is being calculated and what the outstanding sum on your deferred payment account is.

Your agreement with Hackney Council

If you decide to use the Deferred Payments Scheme, you enter into a legal agreement with the Council by signing an agreement document. The Council then places what is called a 'legal charge' on your property to

safeguard the loan. You will be charged for this expense.

The agreement covers both the responsibilities of the Council and your responsibilities, one of which is to make sure that your home is insured and maintained. If you incur expenses in maintaining your home while you are in residential or nursing care, these will be allowed for in the amount that you are assessed as contributing each week from your capital and income.

You can end the agreement at any time (for example if you sell your home) and the loan then becomes payable immediately.

Otherwise the agreement ends on your death and the loan becomes payable 90 days later.

The Council cannot cancel the agreement without your consent.

Advantages of using the Deferred Payments Scheme

You should take independent financial and legal advice to help you decide which course of action will be financially better for you.

If there is an existing agreement for a third party 'top up', where a family member or other person puts additional money towards your placement, and you decide to take advantage of the Deferred Payments Scheme; you can add the cost of the 'top up' payments to your Deferred Payments Scheme loan, if the Council agrees that there is enough equity in your home.

The government's rules say that 'top ups' for people not using the deferred payments scheme currently have to be paid for by somebody else – for example, a member of their family – so a deferred payment is currently the only way of paying the top

up yourself without depending on a third party.

Costs associated with the Deferred Payments Scheme:

Hackney will make an administration charge of £1,285.00 to set up the deferred payment arrangement. There is also an annual administration charge of £61 plus any re-valuation costs incurred. At the termination of the agreement there is an administration charge of £80.

Other options

You may choose to rent out your property, which could give you enough income to cover the full cost of your care. There are advantages to this as you will not accrue a debt, be liable for interest and administrative charges and your property will be occupied. Your tenant will be paying utilities and council tax which will reduce your outgoings.

There are also various equity release products which may be suitable for your personal circumstances.

You may also choose to pay the full cost of your care from your available income and savings/assets; or a family member may choose to pay some or all of this for you.

You should take independent financial and legal advice to help you decide which course of action will be financially better for you.

In order to apply for the Deferred Payment Scheme you must:

- have capital (excluding the property) of less than £23,250.
- be professionally assessed as requiring and be entering permanent residential /

- nursing care in a registered care home;
- own or have part legal ownership of a property, which is not benefitting from a property disregard, and ensure your property is registered with the Land Registry (if the property is not, you must arrange for it to be registered at your own expense);
- have mental capacity to agree to a deferred payment agreement or have a legally appointed agent willing to agree this

Whilst in the agreement, you will also need to:

- have a responsible person willing and able to ensure that necessary maintenance is carried out on the property to retain its value, you are liable for any such expenses;
- insure your property at your expense;
- pay any client contribution in a timely and regular manner; if you fail to pay the client contribution on a regular basis the council reserves the right to add this debt to the loan amount.

There can be no other beneficial interests on the property, for example outstanding mortgages or equity release schemes, unless this is approved by the Local Authority.

PLEASE NOTE:

Acceptance of any application under the scheme is subject to you meeting the criteria for entering the scheme, and the local authority being able to obtain security in your property.

Where you can get independent advice

We can help you to access a services that offer information and advice on a range of financial needs including debt, paying for care, maximising income and planning for later life. Our staff may provide advice directly or can help you to access specialist services including independent financial advice. You can also find out about these services through our i-Care directory which is on our web site www.hackney.gov.uk/health-social-care.htm

If you wish to apply for the scheme you should contact



Care Charging Team

London Borough of Hackney
 Hackney Service Centre
 1 Hillman Street
 Hackney E8 1DY

Tel: **020 8356 4738**

Fax: **020 8356 4324**

Email: Carecharging@hackney.gov.uk